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UNCLAS SECTION 01 OF 03 ROME 001069

SIPDIS

AIDAC

FROM U.S. MISSION IN ROME

USAID FOR AA/DCHA WINTER, AA/ANE CHAMBERLAIN, DCHA/FFP
LANDIS, PPC/DP, PPC/DC
STATE FOR IO A/S HOLMES, A/S PRM DEWEY, A/S EUR JONES,
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EUR/CACEN, IO/EDA
USDA/FAS FOR U/S PENN AND MCHAMBLISS

E.O. 12958: N/A

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SUBJECT: IMMINENT WFP FOOD PIPELINE BREAK IN THE CAUCASUS

SUMMARY

> > 1. US MISSION ROME PROGRAM
SPECIALIST TRAVELED TO ARMENIA, GEORGIA AND AZERBAIJAN FROM
FEBRUARY 23 THROUGH MARCH 8, 2003. WFP'S PROTRACTED RELIEF
AND RECOVERY OPERATIONS (PRROS) IN EACH OF THOSE COUNTRIES
WERE ASSESSED AND DETERMINED TO BE IN NEED OF EXPEDITED
SUPPORT. END SUMMARY.

ARMENIA BACKGROUND

12. PRRO 10053.0 BEGAN IN JULY OF 2001 AND IS SCHEDULED TO
END IN JUNE OF 2004. APPROXIMATELY U.S. DOLLARS 32.8
MILLION FOR 60,794 METRIC TONS OF COMMODITIES IS REQUIRED TO
ASSIST 140,000 BENEFICIARIES A YEAR CONSISTING OF REFUGEES
OR INTERNALLY DISPLACED PERSONS, HOMELESS EARTHQUAKE
VICTIMS, DISABLED PERSONS, SINGLE ELDERLY PENSIONERS,
DESTITUTE WOMEN AND SCHOOLCHILDREN.

13. AS A SOVIET REPUBLIC, ARMENIA WAS A HEAVY INDUSTRIALIZED
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COUNTRY. IN 1985, ARMENIA ATTRIBUTED ALMOST 75 PERCENT OF
ITS GDP TO INDUSTRY. THE BREAK-UP OF THE SOVIET UNION AND
THE CONFLICT WITH AZERBAIJAN OVER NAGORNO-KARABAGH RESULTED
IN AN ENERGY CRISIS AND ECONOMIC BLOCKADE. THESE FACTORS,
TOGETHER WITH THE 1998 RUSSIAN FINANCIAL COLLAPSE, CAUSED A
FURTHER DECLINE IN AND REARRANGEMENT OF THE ECONOMY.

14. TODAY, AGRICULTURE PRODUCES ABOUT 30 PERCENT COMPARED
WITH INDUSTRY'S 20 PERCENT OF THE COUNTRY'S GDP.
UNEMPLOYMENT, WHICH HAS FORCED A LARGE PERCENTAGE OF THE
POPULATION TO RELY ON SUBSISTENCE FARMING, HOVERS AT 25
PERCENT. THE GINI COEFFICIENT, A MEASURE OF INCOME INEQUITY,
WAS RATED AT 0.690 IN 1999 AND CONTINUES TO REMAIN
STUBBORNLY HIGH.

15. THE PRRO HAS RECEIVED ABOUT U.S. 10.6 MILLION SINCE ITS
INCEPTION, AND NOW STOCKS OF COMMODITIES ARE ALMOST
EXHAUSTED. THE APPROVED FOOD BASKET CONSISTS OF WHEAT
FLOUR, PULSES, VEGETABLE OIL, AND SUGAR, A REQUIREMENT OF
ABOUT 1,700 METRIC TONS PER MONTH. SHORTFALLS IN VEGETABLE
OIL BEGIN TO APPEAR THIS MONTH AND IN WHEAT FLOUR NEXT
MONTH.

ARMENIA COMMENT

16. IF CONTRIBUTIONS DO NOT MATERIALIZE IMMEDIATELY, WFP IN
ARMENIA WILL BE FACED WITH A HOBSON'S CHOICE OF REDUCING THE
AMOUNT OF FOOD DISTRIBUTED OR BENEFICIARIES RECEIVING IT. A
SMALL INVESTMENT NOW WILL PROVIDE AN IMMENSE BENEFIT TO
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DESERVING PEOPLE DURING THEIR TRANSITION TO A MARKET
ECONOMY. END COMMENT.

GEORGIA BACKGROUND

17. PRRO 10211.0 IS A THREE-YEAR PROGRAM RUNNING FROM APRIL
2003 TO THE END OF MARCH 2006. A TOTAL OF U.S. DOLLARS 23.4
MILLION FOR ABOUT 50,493 METRIC TONS OF COMMODITIES IS
REQUIRED TO ASSIST 209,500 REFUGEES, IDPS AND VULNERABLE
GROUPS IN BOTH URBAN AND RURAL AREAS.

18. SINCE ITS INDEPENDENCE FROM THE SOVIET UNION IN 1991, GEORGIA HAS CONTINUED TO FACE ECONOMIC AND POLITICAL CRISES INCLUDING ECONOMIC COLLAPSE, INTERNAL ARMED CONFLICT, AND CIVIL STRIFE. GOVERNMENT FIGURES REPORT THAT GEORGIA'S GROSS DOMESTIC PRODUCT FELL BY 78 PERCENT BETWEEN 1990 AND 12000. PUBLIC EXPENDITURE HAS BEEN INSUFFICIENT TO MAINTAIN BASIC INFRASTRUCTURE AND SOCIAL PROGRAMS FOR THE MOST VULNERABLE. THE NON-PAYMENT OF GOVERNMENT WAGES AND

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ACTION AID-00

INFO	LOG-00	NP-00	CIAE-00	INL-00	SRPP-00	EB-00	EUR-00
	OIGO-00	UTED-00	VC-00	TEDE-00	INR-00	IO-00	LAB-01
	VCE-00	NSAE-00	OES-00	OIC-02	PC-01	TEST-00	TRSE-00
	EPAE-00	PRM-00	DRL-01	SAS-00	/005W		

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P 141452Z MAR 03
FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 8737
INFO AMEMBASSY YEREVAN
AMEMBASSY TBILISI
AMEMBASSY BAKU
EU MEMBER STATES COLLECTIVE
USDA FAS WASHDC 2593
SECDEF WASHDC
USEU BRUSSELS 3162
USMISSION GENEVA
USMISSION USUN NEW YORK

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PENSIONS AND THE DECLINE IN PRIVATE INCOME HAVE COMPOUNDED AN ALREADY DESPERATE SITUATION WHERE MANY ARE FORCED TO SELL THEIR BELONGINGS TO BUY FOOD.

19. THE ECONOMIC DEVASTATION HAS BEEN COMPOUNDED BY A SERIES OF TERRITORIAL DISPUTES, ARMED CONFLICT AND POLITICAL CRISES. UNRESOLVED ETHNIC CONFLICTS IN THE BREAKAWAY REGIONS OF SOUTH OSETIA AND ABKHAZIA HAVE RESULTED IN THE INTERNAL DISPLACEMENT OF MORE THAN 250,000 PEOPLE. IN ADDITION, WFP FEEDS REFUGEES FROM CHECHNYA.

GEORGIA COMMENT

10. TO DATE, OF THE U.S. DOLLARS 23.4 MILLION REQUIRED, ONLY 2 PERCENT (U.S. 500,000 DOLLARS) HAS BEEN PLEDGED BY DONORS. WITHOUT IMMEDIATE SUPPORT, GEORGIA WILL HAVE TO CUT BACK ON DISTRIBUTIONS AS EARLY AS APRIL WHEN THEY WILL FACE A SHORTFALL IN CEREALS. A COMPLETE PIPELINE BREAK IN ALL COMMODITIES IS FORESEEN IN MAY UNLESS NEW CONTRIBUTIONS ARE RECEIVED IN THE NEAR FUTURE. END COMMENT.

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AZERBAIJAN BACKGROUND

11. PRRO 10168.0 FOR AZERBAIJAN, ONLY RECENTLY APPROVED IN MAY OF 2002 WITH EARLY AND STRONG USG ENDORSEMENT, BEGAN IN JANUARY 2003 AND IS SCHEDULED TO END IN DECEMBER OF 2005.

12. WAR WITH ARMENIA IN 1992 AND 1993 RESULTED IN THE LOSS OF 20 PERCENT OF AZERBAIJAN'S TOTAL TERRITORY, 70 PERCENT OF ITS FERTILE LAND, AND THE DISPLACEMENT OF 600,000 PEOPLE PLUS ANOTHER 200,000 REFUGEES.

13. THESE 800,000 INDEPENDENT DISPLACED PEOPLE AND REFUGEES

CONSTITUTE 10 PERCENT OF THE TOTAL POPULATION, REPRESENTING ONE OF THE HIGHEST PROPORTIONS OF DISPLACED POPULATIONS IN THE WORLD. WITHOUT SIGNIFICANT RESETTLEMENT, LAND ALLOCATION AND EMPLOYMENT OPPORTUNITIES, THE TARGETED 430,500 BENEFICIARIES, REQUIRING AN ESTIMATED U.S. DOLLARS 20 MILLION FOR 43,087 METRIC TONS OF COMMODITIES WILL NECESSARILY RELY ON FOOD AID IN THE INTERMEDIATE TERM. MEANWHILE, THE LONG ANTICIPATED ECONOMIC BOOM BORNE BY OIL REVENUES HAS YET TO MATERIALIZE.

¶14. IN ADDITION, IN DESCRIBING CHRONIC MALNUTRITION, THE UNITED NATIONS DEVELOPMENT PROGRAM'S AZERBAIJAN HUMAN DEVELOPMENT REPORT 2002 STATES THAT ABOUT 30.5 PERCENT OF THE YOUNG CHILDREN OF REFUGEES AND INDEPENDENT DISPLACED PEOPLE (IDPS) ARE STUNTED.

¶15. LESS THAN 5 PERCENT OF PLANNED CONTRIBUTIONS HAVE BEEN PLEDGED. THESE FUNDS ARE DESPERATELY NEEDED TO MAINTAIN THE UNCLASSIFIED

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MINIMUM DIETARY STANDARDS OF FOOD-INSECURE IDPS AND OTHER VULNERABLE GROUPS THROUGH TARGETED INTERVENTIONS AND TAKE-HOME RATIONS. WFP AND ITS PARTNERS SUCH AS WORLD VISION ARE ALSO PROMOTING TARGETED INTERVENTIONS AND ACTIVITIES LEADING TO SELF-RELIANCE AND THE CREATION OF ASSETS THROUGH TRAINING AND INCOME GENERATION. SCHOOL FEEDING WILL PROVIDE INCENTIVES FOR SCHOOL ATTENDANCE, ESPECIALLY AMONG GIRLS, WHILE ADDRESSING IODINE AND OTHER MICRONUTRIENT DEFICIENCIES OF ALL CHILDREN.

¶16. IN APRIL WFP WILL EXPERIENCE A SHORTFALL OF ABOUT 940 TONS. BY THE END OF JULY, THE ESTIMATED SHORTFALL WILL BE ALMOST 3,900 METRIC TONS IN WHEAT FLOUR ALONE.

AZERBAIJAN COMMENT

¶17. ON MARCH 4, 2003 THE US MISSION PROGRAM SPECIALIST MET WITH MR. ALI HASANOV, THE AZERBAIJANI DEPUTY PRIME MINISTER CONCERNING FOOD AID. MR. HASANOV CONVEYED HIS DEEPEST

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INFO	LOG-00	NP-00	CIAE-00	INL-00	SRPP-00	EB-00	EUR-00
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	VCE-00	NSAE-00	OES-00	OIC-02	PC-01	IRM-00	TEST-00
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GRATITUDE AND APPRECIATION FOR THE STRONG SUPPORT GIVEN BY THE USG TO THE PRRO FOR AZERBAIJAN DURING WFP'S EXECUTIVE BOARD MEETING IN MAY 2002, AN INTERVENTION THAT LED TO THE APPROVAL OF THE PROJECT. A SIGNIFICANT CONTRIBUTION FOR THE PRRO WOULD FOLLOW THROUGH ON THE USG'S EARLIER VERBAL SUPPORT. END COMMENT.

CONCLUSIONS AND RECOMMENDATIONS FOR THE WFP PRROS IN
ARMENIA, GEORGIA AND AZERBAIJAN

¶18. INTENDED BENEFICIARIES OF ALL THREE OF THE WFP PRROS IN THE CAUCASUS INCLUDE A LARGE POPULATION OF REFUGEES AND IDPS AS WELL AS OTHER FOOD INSECURE POPULATIONS INCLUDING THE ELDERLY AND CHILDREN.

¶19. IN EACH COUNTRY THE US MISSION PROGRAM SPECIALIST OBSERVED AND ASSESSED WFP'S LOGISTICS CAPABILITY AND CONTROLS, SELECTED FIELD PROJECTS, INTERNAL SYSTEMS AND STAFF EFFECTIVENESS, AND BENEFICIARY SELECTION AND MONITORING.

¶20. DESPITE THE OCCASIONAL TENDENCY FOR HUMANITARIAN
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ASSISTANCE TO CREATE DEPENDENT POPULATIONS, THIS PHENOMENON IS NOT SUPPORTED BY GROWTH IN THE RECIPIENT POPULATIONS. ON THE CONTRARY, WFP ASSISTANCE, OCCASIONALLY IN PARTNERSHIP WITH OTHER WELL-RUN ORGANIZATIONS SUCH AS WORLD VISION, IS WELL TARGETED AND PROVIDED EFFECTIVELY AND EFFICIENTLY.

¶21. HUMANITARIAN ASSISTANCE IN THE CAUCASUS CONTINUES TO BE REQUIRED, IF ONLY ON A SMALL SCALE IN COMPARISON TO MANY OTHER AREAS OF THE WORLD. IRONICALLY, THE MODEST SCALE OF ASSISTANCE MAY EXPLAIN WHY DONOR COUNTRIES HAVE NEGLECTED TO CONTRIBUTE TO WFP'S PRROS. CONTRIBUTIONS OF 154,000 METRIC TONS, WHICH REPRESENT TOTAL REQUIREMENTS, WOULD ENABLE WFP TO CARRY OUT ITS ASSISTANCE TO 881,000 INTENDED RECIPIENTS IN ALL THREE COUNTRIES AS PLANNED. DELAYS WILL ENTAIL REDUCTIONS IN PROGRAM SCOPE.

¶22. THE USAID MISSION DIRECTORS IN THE SOUTH CAUCASUS SUPPORT THE WFP PROGRAMS IN THEIR COUNTRIES AND ENCOURAGE A POSITIVE RESPONSE TO THEIR APPEALS ON THE PART OF USAID/FOOD FOR PEACE.

¶23. IN VIEW OF THE FAVORABLE ASSESSMENT OF WFP ACTIVITIES IN THE SOUTH CAUCASUS, THE US MISSION URGES USG FUNDING ORGANIZATIONS, PRINCIPALLY THE FOOD FOR PEACE OFFICE WITHIN USAID, TO TAKE EARLY ACTION TO SUPPORT ALL 3 PRROS.

¶23. MINIMIZE CONSIDERED. HALL

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